

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2011

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

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ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

OFFICIALS

JUNE 30, 2011

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**Board of Education  
(Before September 2010 Election)**

John Gent	Board President	2011
Amy Stephenson	Vice President	2011
Steve Axmear	Board Member	2013
Alan Ackerman	Board Member	2011
Terri Riegel	Board Member	2013
Angie George	Board Member	2011
Dick Morrison	Board Member	2011

**Board of Education  
(After September 2010 Election)**

John Gent	Board President	2011
Alan Ackerman	Vice President	2011
Steve Axmear	Board Member	2013
Amy Stephenson	Board Member	2011
Terri Riegel	Board Member	2013
Angie George	Board Member	2011
Dick Morrison	Board Member	2011

**School Officials**

Alan J. Jensen	Superintendent	2011
Wendy Ayers	District Secretary/Treasurer	2011
Elwood, Elwood, & Leinen	Attorney	2011
Ahlers & Cooney PC	Attorney	2011
Bloethe, Elwood, and Buchanan	Attorney	2011
Engel Law Firm	Attorney	2011

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
English Valleys Community School District

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of English Valleys Community School District, North English, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of English Valleys Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 7, 2012 on our consideration of English Valleys Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 3 through 10 and 32 through 35 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise English Valleys Community School District's basic financial statements. We previously audited, in accordance with standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2010 (which are not presented herein), and expressed unqualified opinions on those financial statements. The financial statements for the four years ended June 30, 2005 (which are not presented herein) were audited by other auditors, who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa  
March 7, 2012

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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English Valleys Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,560,540 in fiscal 2010 to \$5,942,400 in fiscal 2011, while General Fund expenditures increased from \$5,259,793 in fiscal 2010 to \$5,429,325 in fiscal 2011. The District's General Fund balance increased from \$429,169 in fiscal 2010 to \$929,533 in fiscal 2011, a 116.6% increase.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of English Valleys Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

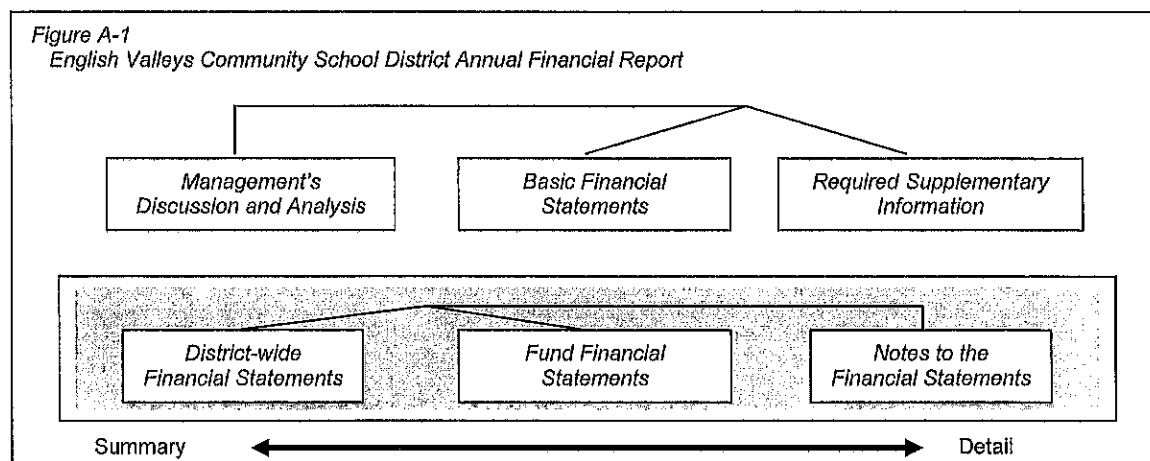


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2</b> <b>Major Features of the Government-wide and Fund Financial Statements</b>			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and student built houses
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

## Reporting the District's Financial Activities

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program and student-built house programs are included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law or by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund financial statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and Student-Built House Fund. Internal Service Funds, the other type of proprietary fund, are optional and available to report activities that provide supplies and services for other District programs and activities. The District currently has one Internal Service Fund, the Flex Benefit Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2011 compared to June 30, 2010.

Figure A-3 Condensed Statement of Net Assets							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		
	2011	2010	2011	2010	2011	2010	2010-2011
Current and other assets	\$ 5,882,685	\$ 5,442,842	\$ 47,290	\$ 30,483	\$ 5,929,975	\$ 5,473,325	8.3%
Capital assets	<u>3,373,104</u>	<u>3,382,134</u>	<u>995</u>	<u>995</u>	<u>3,374,099</u>	<u>3,383,129</u>	(.3)
Total assets	<u>9,255,789</u>	<u>8,824,976</u>	<u>48,285</u>	<u>31,478</u>	<u>9,304,074</u>	<u>8,856,454</u>	5.1
Long-term Liabilities	1,545,042	1,537,524	9,519	5,312	1,554,561	1,542,836	.8
Other liabilities	<u>3,362,994</u>	<u>3,557,765</u>	<u>20,680</u>	<u>16,893</u>	<u>3,383,674</u>	<u>3,574,658</u>	(5.3)
Total liabilities	<u>4,908,036</u>	<u>5,095,289</u>	<u>30,199</u>	<u>22,205</u>	<u>4,938,235</u>	<u>5,117,494</u>	(3.5)
Net assets							
Invested in capital assets, net of related debt	2,238,104	2,042,134	995	995	2,239,099	2,043,129	9.6
Restricted	1,779,900	1,392,145	-	-	1,779,900	1,392,145	27.9
Unrestricted	<u>329,749</u>	<u>295,408</u>	<u>17,091</u>	<u>8,278</u>	<u>346,840</u>	<u>303,686</u>	14.2
Total net assets	\$ <u>4,347,753</u>	\$ <u>3,729,687</u>	\$ <u>18,086</u>	\$ <u>9,273</u>	\$ <u>4,365,839</u>	\$ <u>3,738,960</u>	16.8

The District's combined net assets increased by approximately 16.8%, or \$626,879, from the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$387,755, or approximately 27.9% over the prior year. This increase is primarily due more capital projects revenues in the current year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$43,154, or approximately 14.2%. This reduction in unrestricted net assets was primarily a result of the District experiencing an increase in revenues which was more than the District's increase in expenses.



Figure A-4 shows the change in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-4 Change in Net Assets							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		
	2011	2010	2011	2010	2011	2010	2010-2011
Revenues							
Program revenues:							
Charges for services and sales	\$ 539,308	\$ 482,991	\$ 125,988	\$ 131,917	\$ 665,296	\$ 614,908	8.2%
Operating grants contributions and restricted interest	1,190,380	1,171,335	105,051	96,667	1,295,431	1,268,002	2.2
General revenues:							
Property and sales tax	2,952,440	3,020,122	-	-	2,952,440	3,020,122	(2.2)
Unrestricted state grants	2,156,258	1,857,915	-	-	2,156,258	1,857,915	16.1
Unrestricted investment earnings	3,207	17,112	87	159	3,294	17,271	(80.9)
Other	86,029	135,447	13,106	4,944	99,135	140,391	(29.4)
Total revenues	<u>6,927,622</u>	<u>6,684,922</u>	<u>244,232</u>	<u>233,687</u>	<u>7,171,854</u>	<u>6,918,609</u>	3.7
Program expenses:							
Instruction	4,462,467	4,297,215	-	-	4,462,467	4,297,215	3.9
Support services	1,478,083	1,480,235	-	-	1,478,083	1,480,235	(.2)
Non-instructional programs	-	-	235,419	248,538	235,419	248,538	(5.3)
Other expenses	369,006	375,845	-	-	369,006	375,845	(1.8)
Total expenses	<u>6,309,556</u>	<u>6,153,295</u>	<u>235,419</u>	<u>248,538</u>	<u>6,544,975</u>	<u>6,401,833</u>	2.2
Transfers	-	22,775	-	(22,775)	-	-	0.0
Change in net assets	<u>\$ 618,066</u>	<u>\$ 554,402</u>	<u>\$ 8,813</u>	<u>\$ (37,626)</u>	<u>\$ 626,879</u>	<u>\$ 516,776</u>	21.3

In the fiscal year 2011 property tax, sales tax and unrestricted state grants account for 73.7% of governmental activities revenue. The District's expenses primarily relate to instruction and support services, which account for 94.2% of the total expenses.

### Governmental Activities

Revenues for governmental activities were \$6,927,622 and expenses were \$6,309,556 for the year ended June 30, 2011.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-5 Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services		
	June 30,		Total Change	June 30,		Total Change
	2011	2010	2010-2011	2011	2010	2010-2011
Instruction	\$4,462,467	\$ 4,297,215	3.8%	\$3,097,243	\$ 2,965,590	4.4%
Support services	1,478,083	1,480,235	(.2)	1,346,610	1,386,998	(2.9)
Other expenses	369,006	375,845	(1.8)	136,015	146,381	(7.1)
Total expenses	<u>\$6,309,556</u>	<u>\$ 6,153,295</u>	2.5	<u>\$4,579,868</u>	<u>\$ 4,498,969</u>	18.0

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$539,308.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,190,380.
- The net cost of governmental activities was financed with \$2,952,440 in property and other taxes and \$2,156,258 in unrestricted state grants.

### **Business Type Activities**

Revenues for business type activities during the year end June 30, 2011 were \$244,232 representing a 4.5% increase over the prior year while expenses totaled \$235,419, a 5.3% decrease from the prior year. The District's business type activities include the School Nutrition Fund and Student-Built House Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

### **INDIVIDUAL FUND ANALYSIS**

As previously noted, English Valleys Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$2,517,221, above last year's ending fund balances of \$1,821,314. The primary reason for the increase in combined fund balances at the end of fiscal year 2011 is due to the increase in General Fund revenues over expenditures and the accumulation of unspent tax revenue in the Capital Projects Fund to be used to pay for future capital expenditures.

### **Governmental Fund Highlights**

- The General Fund balance increased from \$429,169 to \$929,533 which is the result of many factors. Primarily, growth during the year in tax and grant receipts resulted in an increase in revenues.
- The Capital Projects Fund balance increased from \$958,887 to \$1,263,587 which is the result of an accumulation of unspent tax revenue which is to be used for future capital expenditures.

### **Proprietary Fund Highlights**

- Enterprise Fund net assets increased from \$9,273 at June 30, 2010 to \$18,086 at June 30, 2011, representing an increase of 95.0% due primarily to monies received in the fiscal year for the construction of the student-built house but not spent by June 30, 2011.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, English Valleys Community School District made no amendments to its annual budget.

The District's revenues were \$788,044 less than budgeted revenues, a difference of 9.9%. The most significant difference resulted from the District receiving less in State and Local sources than originally anticipated.

Total expenditures were \$4,431,166 less than budgeted expenses, a difference of 40.7%. The most significant difference resulted from the District paying less for Instruction and Support Services than expected.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2011, the District had invested \$3,374,099 net of accumulated depreciation/amortization, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment, transportation equipment and intangible assets. (See Figure A-6) This represents a net decrease of approximately .3% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$188,377.

The original cost of the District's capital assets was \$9,769,201. Governmental funds account for \$9,684,381, with the remainder of \$84,820 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the Building and Improvements category. The District's Building and Improvements totaled \$5,708,186 at June 30, 2011, compared to \$5,611,332 reported at June 30, 2010. This increase resulted from the purchase of a playground unit.

Figure A-6  
Capital Assets, Net of Depreciation/Amortization

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		
	2011	2010	2011	2010	2011	2010	2010-2011
Land	\$ 257,413	\$ 257,413	\$ -	\$ -	\$ 257,413	\$ 257,413	0.0%
Buildings and Improvements	2,788,442	2,800,912	-	-	2,788,442	2,800,912	(.5)
Furniture and equipment	<u>327,249</u>	<u>323,809</u>	<u>995</u>	<u>995</u>	<u>328,244</u>	<u>324,804</u>	1.1
Totals	\$ <u>3,373,104</u>	\$ <u>3,382,134</u>	\$ <u>995</u>	\$ <u>995</u>	\$ <u>3,374,099</u>	\$ <u>3,383,129</u>	(.3)

### Long-Term Debt

At June 30, 2011, the District had \$1,545,042, net of unamortized discount and deferred changes, in long-term debt outstanding. This represents an increase of approximately .5% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The Constitution of the State of Iowa limits the amount of general obligation debt Districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$7.61 million.

Figure A-7  
Outstanding Long-term Obligations

	Total District		Total Change
	June 30,		
	2011	2010	2010-2011
General obligation bonds	\$ 1,135,000	\$ 1,340,000	(15.3)%
Early retirement	164,561	156,336	5.3
Net OPEB liability	<u>347,752</u>	<u>169,026</u>	105.7
Total	\$ <u>1,647,313</u>	\$ <u>1,665,362</u>	(1.1)

### ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District maintains its awareness that due to tough economic conditions, state-wide budget cuts are always a possibility and directly impact the District's funding of future expenditures.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Wendy Ayers, District Secretary/Treasurer, English Valleys Community School District, PO Box 490, North English, Iowa 52316.

BASIC FINANCIAL STATEMENTS

## ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

## STATEMENT OF NET ASSETS

JUNE 30, 2011

	Governmental Activities	Business Type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 3,050,068	\$ 45,459	\$ 3,095,527
Receivables:			
Property tax:			
Delinquent	39,526	-	39,526
Succeeding year	2,477,111	-	2,477,111
Accounts receivable	23,171	866	24,037
Due from other governments	292,809	-	292,809
Inventories	-	965	965
Capital assets, net of accumulated depreciation	3,373,104	995	3,374,099
TOTAL ASSETS	9,255,789	48,285	9,304,074
<u>LIABILITIES</u>			
Accounts payable	135,951	2,911	138,862
Checks in excess of balance	8,683	-	8,683
Salaries and benefits payable	573,224	12,389	585,613
Accrued interest payable	5,675	-	5,675
Deferred revenue - Succeeding year property tax	2,477,111	-	2,477,111
Deferred revenue - Other	162,350	5,380	167,730
Long-term liabilities:			
Portion due within one year:			
Bonds payable	215,000	-	215,000
Early retirement	42,128	-	42,128
Unamortized discount	(838)	-	(838)
Unamortized deferred charge	(24,729)	-	(24,729)
Portion due after one year:			
Bonds payable	920,000	-	920,000
Early retirement	122,433	-	122,433
Unamortized discount	(2,516)	-	(2,516)
Unamortized deferred charge	(74,188)	-	(74,188)
Net OPEB liability	347,752	9,519	357,271
TOTAL LIABILITIES	4,908,036	30,199	4,938,235
<u>NET ASSETS</u>			
Investment in capital assets, net of related debt	2,238,104	995	2,239,099
Restricted for:			
Categorical funding	187,889	-	187,889
School infrastructure	1,263,587	-	1,263,587
Management levy purposes	52,327	-	52,327
Student activities	69,058	-	69,058
Physical plant and equipment	207,039	-	207,039
Unrestricted	329,749	17,091	346,840
TOTAL NET ASSETS	\$ 4,347,753	\$ 18,086	\$ 4,365,839

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2011

		Program Revenues	
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest
<b><u>FUNCTIONS/PROGRAMS:</u></b>			
Governmental activities:			
Instruction:			
Regular instruction	\$ 2,892,774	\$ 338,527	\$ 564,487
Special instruction	791,691	87,290	270,401
Other instruction	778,002	-	104,519
	<u>4,462,467</u>	<u>425,817</u>	<u>939,407</u>
Support services:			
Student	85,475	-	-
Instructional staff	44,218	-	15,674
Administration	669,823	113,491	-
Operation and maintenance of plant	344,214	-	-
Transportation	334,353	-	2,308
	<u>1,478,083</u>	<u>113,491</u>	<u>17,982</u>
Other expenditures:			
Long-term debt interest	67,978	-	-
AEA flowthrough	232,991	-	232,991
Depreciation (unallocated)*	68,037	-	-
	<u>369,006</u>	<u>-</u>	<u>232,991</u>
Total governmental activities	<u>6,309,556</u>	<u>539,308</u>	<u>1,190,380</u>
Business type activities:			
Non-instructional programs:			
Nutrition services	234,025	125,988	105,051
Student-built house	1,394	-	-
Total business type activities	<u>235,419</u>	<u>125,988</u>	<u>105,051</u>
Total	<u>\$ 6,544,975</u>	<u>\$ 665,296</u>	<u>\$ 1,295,431</u>

**GENERAL REVENUES:**

Property tax levied for:  
General purposes  
Capital projects  
Debt services  
Sales and services tax  
Unrestricted state grants  
Unrestricted investment earnings  
Other  
Total general revenues

Changes in net assets

Net assets - Beginning of year

Net assets - End of year

\* This amount excludes the depreciation included in the direct expenses of various programs

See Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
\$ (1,989,760)	\$ -	\$ (1,989,760)
(434,000)	-	(434,000)
(673,483)	-	(673,483)
<u>(3,097,243)</u>	<u>-</u>	<u>(3,097,243)</u>
(85,475)	-	(85,475)
(28,544)	-	(28,544)
(556,332)	-	(556,332)
(344,214)	-	(344,214)
(332,045)	-	(332,045)
<u>(1,346,610)</u>	<u>-</u>	<u>(1,346,610)</u>
(67,978)	-	(67,978)
-	-	-
(68,037)	-	(68,037)
(136,015)	-	(136,015)
<u>(4,579,868)</u>	<u>-</u>	<u>(4,579,868)</u>
-	(2,986)	(2,986)
-	(1,394)	(1,394)
-	(4,380)	(4,380)
<u>(4,579,868)</u>	<u>(4,380)</u>	<u>(4,584,248)</u>
2,232,277	-	2,232,277
94,632	-	94,632
230,990	-	230,990
394,541	-	394,541
2,156,258	-	2,156,258
3,207	87	3,294
86,029	13,106	99,135
<u>5,197,934</u>	<u>13,193</u>	<u>5,211,127</u>
618,066	8,813	626,879
<u>3,729,687</u>	<u>9,273</u>	<u>3,738,960</u>
\$ <u>4,347,753</u>	\$ <u>18,086</u>	\$ <u>4,365,839</u>



## ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<u>ASSETS</u>				
Cash and pooled investments	\$ 1,555,384	\$ 1,150,668	\$ 338,186	\$ 3,044,238
Receivables:				
Property tax:				
Delinquent	32,655	-	6,871	39,526
Succeeding year	1,952,327	-	524,784	2,477,111
Accounts receivable	11,054	8,500	1,302	20,856
Due from other governments	<u>188,390</u>	<u>104,419</u>	<u>-</u>	<u>292,809</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>3,739,810</u></b>	<b>\$ <u>1,263,587</u></b>	<b>\$ <u>871,143</u></b>	<b>\$ <u>5,874,540</u></b>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES:</u>				
Accounts payable	\$ 122,376	\$ -	\$ 13,575	\$ 135,951
Checks issued in excess of balance	-	-	8,683	8,683
Salaries and benefits payable	573,224	-	-	573,224
Deferred revenue:				
Succeeding year property tax	1,952,327	-	524,784	2,477,111
Other	<u>162,350</u>	<u>-</u>	<u>-</u>	<u>162,350</u>
Total liabilities	<u>2,810,277</u>	<u>-</u>	<u>547,042</u>	<u>3,357,319</u>
<u>FUND BALANCES:</u>				
Restricted for:				
Categorical funding	187,889	-	-	187,889
School infrastructure	-	1,263,587	-	1,263,587
Management levy purposes	-	-	52,327	52,327
Student activities	-	-	69,058	69,058
Physical plant and equipment	-	-	207,039	207,039
Unassigned	<u>741,644</u>	<u>-</u>	<u>(4,323)</u>	<u>737,321</u>
Total fund balances	<u>929,533</u>	<u>1,263,587</u>	<u>324,101</u>	<u>2,517,221</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ <u>3,739,810</u></b>	<b>\$ <u>1,263,587</u></b>	<b>\$ <u>871,143</u></b>	<b>\$ <u>5,874,540</u></b>

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2011

<u>TOTAL FUND BALANCES OF GOVERNMENTAL FUNDS</u>	\$ 2,517,221
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	3,373,104
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(5,675)
The Internal Service Fund is used by the District to charge the costs of the flex-benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in the governmental activities in the Statement of Net Assets.	8,145
Long-term liabilities, including bonds and early retirement payable, and net OPEB liability are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(1,545,042)</u>
<u>NET ASSETS OF GOVERNMENTAL ACTIVITIES</u>	\$ <u>4,347,753</u>

## ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2011

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 2,165,939	\$ 394,541	\$ 391,960	\$ 2,952,440
Tuition	237,258	-	-	237,258
Other	192,565	8,504	190,217	391,286
State sources	2,893,937	-	-	2,893,937
Federal sources	452,701	-	-	452,701
Total revenues	<u>5,942,400</u>	<u>403,045</u>	<u>582,177</u>	<u>6,927,622</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	2,694,149	-	58,799	2,752,948
Special	757,335	-	-	757,335
Other	570,280	-	173,086	743,366
	<u>4,021,764</u>	<u>-</u>	<u>231,885</u>	<u>4,253,649</u>
Support services:				
Student	1,144	-	-	1,144
Instructional staff	42,299	-	-	42,299
Administration	583,751	-	54,284	638,035
Operation and maintenance of plant	242,832	-	-	242,832
Transportation	304,544	-	-	304,544
	<u>1,174,570</u>	<u>-</u>	<u>54,284</u>	<u>1,228,854</u>
Other expenditures:				
Facilities acquisitions	-	98,345	169,998	268,343
Long-term debt:				
Principal	-	-	205,000	205,000
Interest and fiscal charges	-	-	42,878	42,878
AEA flowthrough	232,991	-	-	232,991
	<u>232,991</u>	<u>98,345</u>	<u>417,876</u>	<u>749,212</u>
Total expenditures	<u>5,429,325</u>	<u>98,345</u>	<u>704,045</u>	<u>6,231,715</u>
Excess (deficiency) of revenues over expenditures	<u>513,075</u>	<u>304,700</u>	<u>(121,868)</u>	<u>695,907</u>
Other financing sources (uses):				
Transfers In	-	-	12,711	12,711
Transfers out	(12,711)	-	-	(12,711)
Total other financing sources (uses)	<u>(12,711)</u>	<u>-</u>	<u>12,711</u>	<u>-</u>
Net change in fund balances	500,364	304,700	(109,157)	695,907
FUND BALANCES - Beginning of year	<u>429,169</u>	<u>958,887</u>	<u>433,258</u>	<u>1,821,314</u>
FUND BALANCES - End of year	<u>\$ 929,533</u>	<u>\$ 1,263,587</u>	<u>\$ 324,101</u>	<u>\$ 2,517,221</u>

See Notes to Financial Statements

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2011

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 695,907

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the current year as follows:

Capital outlays	\$ 179,347	
Depreciation expense	<u>(188,377)</u>	(9,030)

The Internal Service Fund is used by the District to charge the costs of the flex-benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.

(61,760)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded amortization as follows:

Amortization of bond discount and deferred charge	\$ (25,567)	
Repaid	<u>205,000</u>	179,433

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Early retirement	\$ (8,225)	
Net OPEB liability	<u>(178,726)</u>	(186,951)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded in the governmental funds as an expenditure when paid. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is paid.

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CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 618,066

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2011

	Business Type Activities <u>Nonmajor Enterprise</u>	Governmental Activities <u>Internal Service</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 45,459	\$ 5,830
Accounts receivable	866	2,315
Inventories	965	-
Capital assets, net of accumulated depreciation/amortization	<u>995</u>	<u>-</u>
TOTAL ASSETS	<u>48,285</u>	<u>8,145</u>
<u>LIABILITIES</u>		
Accounts payable	2,911	-
Salaries and benefits payable	12,389	-
Deferred revenues	5,380	-
Net OPEB liability	<u>9,519</u>	<u>-</u>
TOTAL LIABILITIES	<u>30,199</u>	<u>-</u>
<u>NET ASSETS</u>		
Investment in capital assets, net of related debt	995	-
Unrestricted	<u>17,091</u>	<u>8,145</u>
TOTAL NET ASSETS	\$ <u>18,086</u>	\$ <u>8,145</u>

## ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

## PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2011

	Business Type Activities Nonmajor Enterprise	Governmental Activities Internal Service
<u>OPERATING REVENUES:</u>		
Local sources:		
Charges for services	\$ 125,988	\$ 685,821
Miscellaneous	13,106	-
Total operating revenues	<u>139,094</u>	<u>685,821</u>
<u>OPERATING EXPENSES:</u>		
Non-instructional programs:		
Employee benefits:		
Miscellaneous	-	747,612
Food service operations:		
Salaries	78,122	-
Benefits	24,150	-
Supplies	130,437	-
Miscellaneous	2,710	-
Total operating expenses	<u>235,419</u>	<u>747,612</u>
	OPERATING LOSS	<u>(96,325)</u>
		<u>(61,791)</u>
<u>NON-OPERATING REVENUES:</u>		
State sources	2,155	-
Federal sources	102,896	-
Interest income	87	31
Total non-operating revenues	<u>105,138</u>	<u>31</u>
	CHANGE IN NET ASSETS	8,813 (61,760)
<u>NET ASSETS</u> - Beginning of year	<u>9,273</u>	<u>69,905</u>
<u>NET ASSETS</u> - End of year	\$ <u>18,086</u>	\$ <u>8,145</u>

## ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 YEAR ENDED JUNE 30, 2011

	Business Type Activities Nonmajor Enterprise	Governmental Activities Internal Service
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>		
Cash received from sale of meals	\$ 138,120	\$ -
Cash received for services	-	683,506
Cash received for miscellaneous items	13,306	-
Cash payments to employees for services	(97,175)	-
Cash payments to suppliers for goods or services	(130,440)	(747,612)
NET CASH USED IN OPERATING ACTIVITIES	(76,189)	(64,106)
<b><u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</u></b>		
State grants received	2,155	-
Federal grants received	90,260	-
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	92,415	-
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>		
Interest on investments	87	31
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	16,313	(64,075)
<b><u>CASH AND CASH EQUIVALENTS - Beginning of year</u></b>	29,146	69,905
<b><u>CASH AND CASH EQUIVALENTS - End of year</u></b>	\$ 45,459	\$ 5,830
<b><u>RECONCILIATION OF OPERATING LOSS TO NET CASH USE IN OPERATING ACTIVITIES:</u></b>		
Operating loss	\$ (96,325)	\$ (61,791)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Commodities consumed	12,636	-
Increase in accounts receivable	(483)	(2,315)
Increase in inventories	(11)	-
Increase in accounts payable	2,718	-
Increase in salaries and benefits payable	890	-
Increase in deferred revenue	179	-
Increase in net OPEB liability	4,207	-
Net cash used in operating activities	\$ (76,189)	\$ (64,106)
<b><u>NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</u></b>		
During the year ended June 30, 2011, the District received \$12,636 in federal commodities.		

## ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The English Valleys Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of North English, Iowa, and the predominate agricultural territory in Keokuk and Iowa Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### Reporting Entity

For financial reporting purposes, English Valleys Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The English Valleys Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

#### Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in the following categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.



ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports no major proprietary funds. However, the District reports nonmajor proprietary funds and an Internal Service Fund. The Internal Service, Flex Benefit Fund is utilized to account for employee flexible benefits.

Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt and claims and judgments are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balances and then to less-restrictive classifications-committed, assigned and then unassigned fund balances.

The proprietary funds of the District apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in the governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Equity (Continued)

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on the January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2010.

Due from Other Governments – Due from other governments represent amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,500
Buildings	2,500
Improvements other than buildings	2,500
Intangibles	2,500
Furniture and equipment	2,500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Intangibles	5-15 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Early Retirement – District employees meeting certain requirements are eligible for early retirement benefits. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The early retirement liability has been computed based on rates of pay in effect at June 30, 2011. The early retirement liability attributable to the governmental activities will be paid primarily from the Management Fund.

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Equity (Continued)

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unspent grant proceeds that will not be recognized as revenue until money is spent for the purposes under the provisions of the respective grant agreements.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental type and business type activities columns in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in other spendable classifications.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

NOTE 2: CASH AND POOLED INVESTMENTS

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 2: CASH AND POOLED INVESTMENTS (Continued)

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust diversified portfolio which are valued at an amortized cost of \$2,371,597 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk – The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

Interest Rate Risk – The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

NOTE 3: IOWA SCHOOL CASH ANTICIPATION PROGRAM (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for the warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2010-11A warrants was 1.2% plus the one month LIBOR rate, adjusted daily. A summary of the District's ISCAP activity for the year ended June 30, 2011 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Balance Beginning of Year</u>	<u>Advances Received</u>	<u>Advances Repaid</u>	<u>Balance End of Year</u>	<u>Interest Payable</u>
2010-11A	June 23, 2010	June 23, 2011	\$ <u>      -      </u>	\$ <u>250,000</u>	\$ <u>250,000</u>	\$ <u>      -      </u>	\$ <u>      -      </u>

During the year ended June 30, 2011, the District paid \$966 of interest on the ISCAP warrants.

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2011 was as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 257,413	\$ -	\$ -	\$ 257,413
Total capital assets not being depreciated	<u>257,413</u>	<u>-</u>	<u>-</u>	<u>257,413</u>
Capital assets being depreciated:				
Buildings and improvements	5,611,332	96,854	-	5,708,186
Furniture and equipment	<u>3,636,289</u>	<u>82,493</u>	<u>-</u>	<u>3,718,782</u>
Total capital assets being depreciated	<u>9,247,621</u>	<u>179,347</u>	<u>-</u>	<u>9,426,968</u>
Less accumulated depreciation for:				
Buildings and improvements	2,810,420	109,324	-	2,919,744
Furniture and equipment	<u>3,312,480</u>	<u>79,053</u>	<u>-</u>	<u>3,391,533</u>
Total accumulated depreciation	<u>6,122,900</u>	<u>188,377</u>	<u>-</u>	<u>6,311,277</u>
Total capital assets being depreciated, net	<u>3,124,721</u>	<u>(9,030)</u>	<u>-</u>	<u>3,115,691</u>
Governmental activities capital assets, net	\$ <u>3,382,134</u>	\$ <u>(9,030)</u>	\$ <u>-</u>	\$ <u>3,373,104</u>
Business type activities:				
Furniture and equipment	\$ 84,820	\$ -	\$ -	\$ 84,820
Less accumulated depreciation	<u>83,825</u>	<u>-</u>	<u>-</u>	<u>83,825</u>
Business-type activities capital assets, net	\$ <u>995</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>995</u>

Depreciation expense was charged to the following functions:

Governmental activities:

    Instruction:

        Regular

\$ 14,939

        Other

914

    Support services:

        Instructional staff

84,279

        Administration

2,844

        Operation and maintenance of plant

1,370

        Transportation

15,994

Unallocated

68,037

Total depreciation expense – Governmental activities

\$ 188,377

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE 5: LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance End of Year</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds	\$ 1,340,000	\$ -	\$ 205,000	\$ 1,135,000	\$ 215,000
Early retirement	156,336	30,718	22,493	164,561	42,128
Net OPEB liability	<u>169,026</u>	<u>178,726</u>	<u>-</u>	<u>347,752</u>	<u>-</u>
Total	\$ <u>1,665,362</u>	\$ <u>209,444</u>	\$ <u>227,493</u>	\$ <u>1,647,313</u>	\$ <u>257,128</u>
Business type activities:					
Net OPEB liability	\$ <u>5,312</u>	\$ <u>4,207</u>	\$ <u>-</u>	\$ <u>9,519</u>	\$ <u>-</u>

General Obligation Bonds

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Refunding Bonds Dated July 1, 2003</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	3.00%	\$ 215,000	\$ 36,277	\$ 251,277
2013	3.00	220,000	29,827	249,827
2014	3.25	225,000	23,227	248,227
2015	3.30	235,000	15,915	250,915
2016	3.40	<u>240,000</u>	<u>8,160</u>	<u>248,160</u>
		\$ <u>1,135,000</u>	\$ <u>113,406</u>	\$ <u>1,248,406</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees, who meet certain eligibility guidelines. Eligible employees must be between the ages of 55 and 62 and have completed 15 years of consecutive service to the District. Employees must have completed an application, which was required to be approved by the Board of Education. The early retirement benefit is calculated as 100% of the difference between the B.A step 0 and the employee's position on the salary scale as of the start of the year following retirement. In addition, the District will pay for single health and major medical insurance coverage under the District's insurance policy until the retiree reaches age 65. Early retirement benefits paid during the year ended June 30, 2011 totaled \$22,493.

NOTE 6: PENSION AND RETIREMENT BENEFITS

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$214,413, \$179,761 and \$185,997 respectively, equal to the required contributions for each year.

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 7: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 78 active and 11 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	251,050
Interest on net OPEB obligation		4,358
Adjustment to annual required contribution		(16,544)
Annual OPEB cost		238,864
Contributions made		(55,931)
Increase in net OPEB obligation		182,933
Net OPEB obligation beginning of year		174,338
Net OPEB obligation end of year	\$	357,271

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$55,931 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2010	\$ <u>233,645</u>	25.4%	\$ <u>174,338</u>
2011	\$ <u>238,864</u>	23.4%	\$ <u>357,271</u>

Funding Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$1,966,735, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,966,735. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,984,000 and the ratio of the UAAL to covered payroll was 65.9%. As of June 30, 2011, there were no trust fund assets.



ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 7: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 6%. The medical trend rate is reduced .5% each year until reaching the 6% ultimate medical trend rate.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the 2006 Society of Actuaries Study.

Projected claim costs of the medical plan are \$439 per month. The salary increase rate was assumed to be 4% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

NOTE 8: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9: AREA EDUCATION AGENCY

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$232,991 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 10: INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	General	\$ 4,211
Special Revenue:		
Student Activity	General	8,500
Total		\$ <u>12,711</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

NOTE 11: DEFICIT BALANCES

At June 30, 2011, two funds had a deficit balances as follows:

Debt Service Fund	\$ <u>4,323</u>
Nutrition Fund	\$ <u>5,508</u>

These deficit balances were the result of costs in excess of available funds. These deficits will be eliminated upon collection of future revenues of the respective funds.

NOTE 12: OPERATING LEASE

The District leases two copiers with terms through February 24, 2014. The lease is considered an operating lease and monthly lease payments are \$744. Rent expense for the year ended June 30, 2011 was \$8,929. Future minimum lease payments are as follows:

<u>June 30,</u>	
2012	\$ 8,929
2013	8,929
2014	<u>5,954</u>
	\$ <u>23,812</u>

NOTE 13: EVALUATION OF SUBSEQUENT EVENTS

The District has evaluated subsequent events through March 7, 2012, the date which the financial statements were available to be issued.

In January of 2012, in connection with the merger with Deep River-Millersburg Community School District in July of 2009, English Valleys Community School District paid \$177,371 and \$2,390 to Montezuma and Tri-County Community School Districts, respectively.

## REQUIRED SUPPLEMENTARY INFORMATION

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND  
CHANGES IN BALANCES -  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2011

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Total <u>Actual</u>
<b><u>REVENUES:</u></b>			
Local sources	\$ 3,580,984	\$ 139,181	\$ 3,720,165
State sources	2,893,937	2,155	2,896,092
Federal sources	<u>452,701</u>	<u>102,896</u>	<u>555,597</u>
Total revenues	<u>6,927,622</u>	<u>244,232</u>	<u>7,171,854</u>
<b><u>EXPENDITURES/EXPENSES:</u></b>			
Instruction	4,253,649	-	4,253,649
Support services	1,228,854	-	1,228,854
Non-instructional programs	-	235,419	235,419
Other expenditures	<u>749,212</u>	<u>-</u>	<u>749,212</u>
Total expenditures/expenses	<u>6,231,715</u>	<u>235,419</u>	<u>6,467,134</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	695,907	8,813	704,720
<b><u>BALANCE - Beginning of year</u></b>	<u>1,821,314</u>	<u>9,273</u>	<u>1,830,587</u>
<b><u>BALANCE - End of year</u></b>	\$ <u>2,517,221</u>	\$ <u>18,086</u>	\$ <u>2,535,307</u>

<u>Budgeted Amounts</u>		Final to	
<u>Original/Final</u>		<u>Actual</u>	
		<u>Variance</u>	
\$	4,358,982	\$	(638,817)
	3,227,416		(331,324)
	<u>373,500</u>		<u>182,097</u>
	<u>7,959,898</u>		<u>(788,044)</u>
	6,351,808		2,098,159
	2,448,000		1,219,146
	290,968		55,549
	<u>1,807,524</u>		<u>1,058,312</u>
	<u>10,898,300</u>		<u>4,431,166</u>
	(2,938,402)		3,643,122
	<u>1,011,940</u>		<u>818,647</u>
\$	<u>(1,926,462)</u>	\$	<u>4,461,769</u>

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-

BUDGETARY REPORTING

YEAR ENDED JUNE 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service Funds, Private Purpose Trust Funds and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN

REQUIRED SUPPLEMENTARY INFORMATION

Year ended <u>June 30,</u>	Actuarial Valuation <u>Date</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>c</u>	UAAL as a Percentage of Covered Payroll <u>((b-a)/c)</u>
2010	July 1, 2009	-	\$ <u>1,966,735</u>	\$ <u>1,966,735</u>	0.0%	\$ <u>2,567,000</u>	76.6%
2011	July 1, 2009	-	\$ <u>1,966,735</u>	\$ <u>1,966,735</u>	0.0%	\$ <u>2,984,000</u>	65.9%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

## OTHER SUPPLEMENTARY INFORMATION



## ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2011

	Special Revenue Funds				
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	Total
<u>ASSETS</u>					
Cash and pooled investments	\$ 50,750	\$ 77,274	\$ 210,162	\$ -	\$ 338,186
Receivables:					
Property tax:					
Delinquent	1,979	-	532	4,360	6,871
Succeeding year	180,000	-	93,006	251,778	524,784
Accounts receivable	-	1,302	-	-	1,302
<b>TOTAL ASSETS</b>	<b>\$ 232,729</b>	<b>\$ 78,576</b>	<b>\$ 303,700</b>	<b>\$ 256,138</b>	<b>\$ 871,143</b>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>LIABILITIES:</u>					
Accounts payable	\$ 402	\$ 9,518	\$ 3,655	\$ -	\$ 13,575
Checks issued in excess of balance	-	-	-	8,683	8,683
Deferred revenue:					
Succeeding year property tax	180,000	-	93,006	251,778	524,784
Total liabilities	180,402	9,518	96,661	260,461	547,042
<u>FUND BALANCES:</u>					
Restricted for:					
Management levy purposes	52,327	-	-	-	52,327
Student activities	-	69,058	-	-	69,058
Physical plant and equipment	-	-	207,039	-	207,039
Unassigned	-	-	-	(4,323)	(4,323)
Total fund balances	52,327	69,058	207,039	(4,323)	324,101
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 232,729</b>	<b>\$ 78,576</b>	<b>\$ 303,700</b>	<b>\$ 256,138</b>	<b>\$ 871,143</b>

## ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2011

	<u>Special Revenue Funds</u>				
	<u>Management</u>	<u>Student</u>	<u>Physical</u>	<u>Debt</u>	<u>Total</u>
	<u>Levy</u>	<u>Activity</u>	<u>Plant and</u>	<u>Service</u>	
			<u>Equipment</u>		
			<u>Levy</u>		
<u>REVENUES:</u>					
Local sources:					
Local tax	\$ 121,920	\$ -	\$ 31,339	\$ 238,701	\$ 391,960
Other	15,470	173,187	1,560	-	190,217
Total revenues	<u>137,390</u>	<u>173,187</u>	<u>32,899</u>	<u>238,701</u>	<u>582,177</u>
<u>EXPENDITURES:</u>					
Current:					
Instruction:					
Regular	58,799	-	-	-	58,799
Other	-	173,086	-	-	173,086
Support services:					
Administration	54,284	-	-	-	54,284
Other expenditures:					
Facilities acquisition	-	-	169,998	-	169,998
Long-term debt:					
Principal	-	-	-	205,000	205,000
Interest and fiscal charges	-	-	-	42,878	42,878
Total expenditures	<u>113,083</u>	<u>173,086</u>	<u>169,998</u>	<u>247,878</u>	<u>704,045</u>
Excess (deficiency) of revenues over					
(under) expenditures	<u>24,307</u>	<u>101</u>	<u>(137,099)</u>	<u>(9,177)</u>	<u>(121,868)</u>
Other financing sources:					
Transfers in	-	8,500	-	4,211	12,711
Net change in fund balances	24,307	8,601	(137,099)	(4,966)	(109,157)
<u>FUND BALANCES</u> - Beginning of year	<u>28,020</u>	<u>60,457</u>	<u>344,138</u>	<u>643</u>	<u>433,258</u>
<u>FUND BALANCES</u> - End of year	\$ <u>52,327</u>	\$ <u>69,058</u>	\$ <u>207,039</u>	\$ <u>(4,323)</u>	\$ <u>324,101</u>

## ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF NET ASSETS  
NONMAJOR PROPRIETARY FUNDS

JUNE 30, 2011

	Enterprise		
	<u>School</u>	<u>Student-Built</u>	<u>Total</u>
	<u>Nutrition</u>	<u>House</u>	
<u>ASSETS</u>			
Cash and cash equivalents	\$ 21,740	\$ 23,719	\$ 45,459
Accounts receivable	866	-	866
Inventories	965	-	965
Capital assets, net of accumulated depreciation	<u>995</u>	<u>-</u>	<u>995</u>
TOTAL ASSETS	<u>24,566</u>	<u>23,719</u>	<u>48,285</u>
<u>LIABILITIES</u>			
Accounts payable	2,786	125	2,911
Salaries and benefits payable	12,389	-	12,389
Deferred revenue	5,380	-	5,380
Net OPEB liability	<u>9,519</u>	<u>-</u>	<u>9,519</u>
TOTAL LIABILITIES	<u>30,074</u>	<u>125</u>	<u>30,199</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	995	-	995
Unrestricted	<u>(6,503)</u>	<u>23,594</u>	<u>17,091</u>
TOTAL NET ASSETS	\$ <u>(5,508)</u>	\$ <u>23,594</u>	\$ <u>18,086</u>

## ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS  
NONMAJOR PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2011

	Enterprise		
	<u>School</u>	<u>Student-Built</u>	<u>Total</u>
	<u>Nutrition</u>	<u>House</u>	
<b><u>OPERATING REVENUES:</u></b>			
Local sources:			
Charges for meals	\$ 125,988	\$ -	\$ 125,988
Miscellaneous	3,407	9,699	13,106
Total operating revenues	<u>129,395</u>	<u>9,699</u>	<u>139,094</u>
<b><u>OPERATING EXPENSES:</u></b>			
Non-instructional programs:			
Salaries	78,122	-	78,122
Benefits	24,150	-	24,150
Supplies	130,437	-	130,437
Miscellaneous	1,316	1,394	2,710
Total operating expenses	<u>234,025</u>	<u>1,394</u>	<u>235,419</u>
Operating income (loss)	<u>(104,630)</u>	<u>8,305</u>	<u>(96,325)</u>
<b><u>NON-OPERATING REVENUES:</u></b>			
State sources	2,155	-	2,155
Federal sources	102,896	-	102,896
Interest income	39	48	87
Total non-operating revenues	<u>105,090</u>	<u>48</u>	<u>105,138</u>
Change in net assets	460	8,353	8,813
<b><u>NET ASSETS - Beginning of year</u></b>	<u>(5,968)</u>	<u>15,241</u>	<u>9,273</u>
<b><u>NET ASSETS - End of year</u></b>	\$ <u>(5,508)</u>	\$ <u>23,594</u>	\$ <u>18,086</u>

## ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
YEAR ENDED JUNE 30, 2011

	Enterprise		
	School Nutrition	Student-Built House	Total
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>			
Cash received from sale of meals	\$ 138,120	\$ -	\$ 138,120
Cash received for miscellaneous items	3,407	9,899	13,306
Cash payments to employees for services	(97,175)	-	(97,175)
Cash payments to suppliers for goods and services	(129,171)	(1,269)	(130,440)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(84,819)	8,630	(76,189)
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</u>			
State grants received	2,155	-	2,155
Federal grants received	90,260	-	90,260
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	92,415	-	92,415
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>			
Interest on investments	39	48	87
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,635	8,678	16,313
<u>CASH AND CASH EQUIVALENTS - Beginning of year</u>	<u>14,105</u>	<u>15,041</u>	<u>29,146</u>
<u>CASH AND CASH EQUIVALENTS - End of year</u>	<u>\$ 21,740</u>	<u>\$ 23,719</u>	<u>\$ 45,459</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO</u>			
<u>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>			
Operating income (loss)	\$ (104,630)	\$ 8,305	\$ (96,325)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Commodities consumed	12,636	-	12,636
Decrease (Increase) in accounts receivable	(683)	200	(483)
Increase in Inventories	(11)	-	(11)
Increase in accounts payable	2,593	125	2,718
Increase in salaries and benefits payable	890	-	890
Increase in deferred revenue	179	-	179
Increase in net OPEB liability	4,207	-	4,207
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (84,819)	\$ 8,630	\$ (76,189)
<u>NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</u>			
During the year ended June 30, 2011, the District received \$12,636 in federal commodities			

## ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND -  
STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2011

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenue/ Transfers in</u>	<u>Expenditures</u>	<u>Balance End of Year</u>
Annual	\$ 2,744	\$ 3,769	\$ 5,949	\$ 564
Athletics	2,129	35,178	35,797	1,510
Cheerleaders	32	4,371	4,702	(299)
Golf	444	2,109	1,959	594
Class of:				
2008	21	-	-	21
2009	1	-	-	1
2010	217	-	-	217
2011	866	1,077	2,048	(105)
2012	1,295	1,671	2,602	364
2013	700	560	-	1,260
2014	381	540	-	921
Concessions	921	16,968	13,240	4,649
FFA	796	12,529	13,225	100
HS student activities	1,441	686	1,271	856
HS recognition night	-	-	16	(16)
Lutton student activities	5,782	4,604	6,036	4,350
Interest	582	102	-	684
Library club	904	264	-	1,168
Model UN	368	-	-	368
Music boosters	11,466	35,343	32,766	14,043
Science club	26	-	-	26
Student council	366	12,110	11,573	903
Spanish club	278	-	-	278
Speech/drama	5,303	4,359	574	9,088
Girls softball	1,362	6,620	6,416	1,566
Girls basketball	3,231	3,696	1,942	4,985
Track	1,274	3,396	2,423	2,247
Boys basketball	922	4,325	2,248	2,999
Baseball	1,961	-	1,109	852
Wrestling	4,662	5,497	8,690	1,469
Football	2,997	950	863	3,084
Volleyball	1,472	2,862	2,171	2,163
Lutton	972	2,064	2,069	967
Heart fund	134	-	-	134
Book fair	(41)	3,859	3,622	196
Family night	4	-	-	4
FCCLA	180	5,819	5,489	510
Bear essentials	3,110	-	-	3,110
Valley rush	1,154	6,359	4,286	3,227
Totals	\$ 60,457	\$ 181,687	\$ 173,086	\$ 69,058

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -  
ALL GOVERNMENTAL FUNDS  
FOR THE LAST TEN YEARS

	Modified Accrual Basis Years Ended June 30,				
	<u>2011 *</u>	<u>2010 *</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Revenues:					
Local sources:					
Local tax	\$ 2,952,440	\$ 3,020,120	\$ 2,126,365	\$ 2,048,588	\$ 1,798,491
Tuition	237,258	231,404	435,950	526,412	540,154
Other	391,286	407,499	425,213	378,436	427,718
State sources	2,893,937	2,609,144	2,454,688	2,176,211	2,212,623
Federal sources	<u>452,701</u>	<u>420,106</u>	<u>204,577</u>	<u>115,009</u>	<u>136,596</u>
Total	\$ <u>6,927,622</u>	\$ <u>6,688,273</u>	\$ <u>5,646,793</u>	\$ <u>5,244,656</u>	\$ <u>5,115,582</u>
Expenditures:					
Current:					
Instruction:					
Regular	\$ 2,752,948	\$ 2,877,903	\$ 2,299,969	\$ 2,198,522	\$ 1,975,095
Special	757,335	677,358	687,653	609,387	589,927
Other	743,366	691,009	781,401	684,830	711,051
Support services:					
Student	1,144	3,745	2,052	1,497	868
Instructional staff	42,299	72,654	56,630	73,624	66,186
Administration	638,035	620,483	594,817	557,789	520,600
Operation and maintenance of plant	242,832	261,848	241,962	276,456	251,756
Transportation	304,544	294,440	218,140	221,080	261,665
Non-instructional programs	-	-	-	-	-
Other expenditures:					
Facilities acquisitions	268,343	92,455	328,974	408,430	341,026
Long term debt:					
Principal	205,000	195,000	190,000	185,000	185,000
Interest	42,878	48,190	52,940	58,399	62,190
AEA flow-through	<u>232,991</u>	<u>229,464</u>	<u>157,708</u>	<u>147,470</u>	<u>140,382</u>
Total	\$ <u>6,231,715</u>	\$ <u>6,064,549</u>	\$ <u>5,612,246</u>	\$ <u>5,422,484</u>	\$ <u>5,105,746</u>

\* Includes figures as a merged district.

See Accompanying Independent Auditor's Report

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ 1,856,775	\$ 1,757,958	\$ 1,664,110	\$ 1,629,439	\$ 1,599,624
482,087	415,982	406,331	366,089	314,901
334,090	358,670	330,664	332,526	348,179
1,902,649	1,909,318	1,896,927	1,830,632	1,819,592
<u>115,720</u>	<u>135,974</u>	<u>124,639</u>	<u>124,500</u>	<u>73,825</u>
\$ <u>4,691,321</u>	\$ <u>4,577,902</u>	\$ <u>4,422,671</u>	\$ <u>4,283,186</u>	\$ <u>4,156,121</u>
\$ 1,953,446	\$ 1,967,316	\$ 1,850,465	\$ 1,754,457	\$ 1,749,974
532,351	507,648	631,898	543,040	478,473
668,618	560,347	480,791	430,659	430,585
26	4,845	1,481	39,921	43,446
68,830	61,691	56,127	52,162	59,438
502,577	523,888	521,419	507,546	474,032
289,209	267,881	248,278	229,773	254,547
204,890	258,022	172,092	167,836	184,655
-	-	21,853	23,277	25,331
80,190	135,778	69,127	78,786	142,735
180,000	180,000	195,000	120,000	110,000
65,865	69,390	61,041	139,185	145,785
<u>133,846</u>	<u>133,316</u>	<u>136,119</u>	<u>139,916</u>	<u>139,078</u>
\$ <u>4,679,848</u>	\$ <u>4,670,122</u>	\$ <u>4,445,691</u>	\$ <u>4,226,558</u>	\$ <u>4,238,079</u>



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

To the Board of Education of  
English Valleys Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of English Valleys Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 7, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered English Valleys Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of English Valleys Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of English Valleys Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings as item II-A-11 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether English Valleys Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

English Valleys Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit English Valleys Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of English Valleys Community School District and other parties to whom the District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of English Valleys Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa  
March 7, 2012

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2011

PART I: SUMMARY OF THE INDEPENDENT AUDITOR'S RESULTS:

- (a) Unqualified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

PART II: FINDINGS RELATED TO THE FINANCIAL STATEMENTS:

Significant Deficiencies:

- II-A-11 Segregation of Duties – The limited number of accounting personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on the accounting records accuracy and reliability, although we noted the District had taken steps to segregate duties between present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain maximum internal control possible under the circumstances.

Response – We will continue to review our procedures and implement additional controls where possible.

Conclusion – Response accepted.

Instances of Non-Compliance:

No matters were noted.

Part III: Other Findings Related to Statutory Reporting:

- III-A-11 Certified Budget – Expenditures for the year ended June 30, 2011 did not exceed the amounts budgeted, although the District did budget for an overall fund balance deficit.

Recommendation – The District should budget in such a way that resources are available to pay for budgeted expenditures, not allowing for any fund balance deficits.

Response – We will review and consider your recommendation for any future budgets.

Conclusion – Response accepted.

- III-B-11 Questionable Expenditures – No expenditures we believe may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

- III-C-11 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- III-D-11 Business Transactions – No business transactions between the District and District officials or employees were noted.

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2011

Part III: Other Findings Related to Statutory Reporting: (Continued)

- III-E-11 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- III-F-11 Board Minutes – We noted no transactions requiring Board approval which have not been approved by the Board.
- III-G-11 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- III-H-11 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- III-I-11 Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the District's investment policy were noted.
- III-J-11 Certified Annual Report – The certified annual report was certified timely to the Iowa Department of Education.
- III-K-11 Categorical Funding – No instances of categorical funding being used to supplant rather than supplement other funds were noted.
- III-L-11 Deficit Balances – The Debt Service Fund, Nutrition Fund and three student activity accounts had deficit balances at June 30, 2011.

Recommendation – The District should investigate alternatives to eliminate these deficits in order to return these funds and accounts to a sound financial condition.

Response – The District is continuing to investigate alternatives to eliminate any deficits in the funds or student activity accounts at the end of the fiscal year.

Conclusion – Response accepted.

- III-M-11 Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services, and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	958,887
Revenues/transfers in:			
Statewide sales, services and use tax	\$	394,541	
Other local revenues		<u>8,504</u>	<u>403,045</u>
			1,361,932
Expenditures/transfer out:			
School infrastructure construction	\$	15,966	
Furniture and equipment		<u>82,379</u>	<u>98,345</u>
Ending balance		\$	<u>1,263,587</u>

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.